



Department  
Of  
Economic and Community Development  
59 Statehouse Station  
Augusta, Maine 04333

## **POLICY STATEMENT #4**

**Subject:**     ***Bonding and Insurance Requirements for CDBG Funded Contracts***

**Revised:**    **04/03**

The following outlines the minimum requirements to be followed when purchasing supplies, equipment, construction and professional services paid in whole or in part with Community Development Block Grant (CDBG) funds.

You may use your municipality's procurement procedures provided that the State of Maine and/or the Department of Housing and Urban Development have made a written determination that the governments' interest is adequately protected, or you may adopt the requirements described below. If appropriate, you may supplement your procedures to improve existing systems. To ensure fair procurement practices, a written policy identifying the procedures must be available for review by all potential bidders and the OCD.

### **PERSONAL BONDING**

Community officials or consultants/paid administrators who are authorized to process CDBG funds, including signing of checks, **must be bonded.**

### **BID BOND**

For contracts which exceed \$100,000, including the practice of "block bidding" housing rehabilitation projects, a bid guarantee from each bidder equivalent to five percent of the bid price is required. The "bid guarantee" shall consist of a firm commitment such as a bid bond, certified check or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of their bid, execute such contractual documents as may be required within the time specified.

### **CONTRACT BOND**

For contracts which exceed \$100,000, including the practice of "block bidding" housing rehabilitation projects, there must be prior to signing of the contract, a **performance bond** on the part of the contractor for 100 percent of the contract price. The "performance bond" is executed in connection with the contract to secure fulfillment of all of the contractor's obligations under the contract. There must also be, prior to signing of the contract, a **payment bond** on the part of the contractor for 100 percent of the contract price. The "payment bond" is executed in connection with the contract to assure payment as required by law of all persons supplying labor and materials in the execution of the work provided for in the contract.

### **INSURANCE**

Communities undertaking construction projects with CDBG funds, including housing rehabilitation activities, must ensure that construction contractors purchase and maintain insurance until final acceptance of their work. The community must have evidence of this insurance at the time of executing any contract/agreement with the contractor or assisting in the execution of any contract/agreement between a contractor and homeowner. The insurance policy must have the following attributes:

- \* It must protect the contractor, the community and the owner from all claims and liabilities for damages for bodily injury, including accidental death, and for property damage, which may arise from operations under the contract, whether such operation is by the contractor or any employee, **The amount of the insurance must be at least:**

**Construction contracts other than housing rehabilitation:**

- \$1,000,000 for any one person and for each accident in cases of liability for bodily injury and/or accidental death; and
- \$1,000,000 for any and all accidents in cases of liability for property damage.

**Housing rehabilitation contracts:**

- \$100,000 for bodily injury to anyone, and not less than \$300,000 for each occurrence
- \$50,000 per occurrence and \$100,000 aggregate for property damage
- \$100,000 for any one person and \$300,000 per occurrence for vehicular liability

The contractor must also maintain the following types of insurance:

- \* Full worker compensation insurance coverage for all persons employed by the contractor to perform work on the project. The insurance must be in compliance with State of Maine requirements.
- \* Bodily injury and contractor's protective property damage (broad form), each including coverage for blasting explosion, and injury to, or destruction of wires, pipes, conduits and similar property, appurtenant apparatus, whether public or private and collapse of, or structural injury to, any building or structure, except those on which work under the contract is performed.
- \* Bodily injury and property damage insurance covering the operation of all motor vehicles and equipment being operated in connection with project work, whether or not owned by the contractor.
- \* Contractual liability insurance as described earlier.
- \* Owner's protective liability insurance issued to the owner at the expense of the contractor.
- \* Fire insurance included with all property damage insurance in an amount equal to the total bid price of all structures subject to fire damage.
- \* Builders' "All Risk" insurance equal to or greater than the total amount.

**All policies must designate the loss payee as the community and require that the community be notified in the event of any changes to the insurance policies. Contractors shall indemnify and hold harmless the U.S. Government, the State of Maine, the Owner and the grantee from liability for any injury or damage to persons or property resulting from the prosecution of work under a construction contract.**

Please remember that if a bid goes out for eight (8) or more rehab or sewer hookup projects at one time, and one contractor is awarded 8 or more of these projects, Federal Labor Standards will apply. This will be true even if contracts are technically between the homeowner and contractor. Please refer to the Labor Standards section of this book for further information.